

California Real Estate Policy To Watch In 2025

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In the article “California Real Estate Policy to Watch In 2025,” *Law360* examines legislation to observe this year, including Assembly Bill 98, which aims to reduce the negative environmental impacts of the logistics industry. Signed into law by Governor Gavin Newsom in September 2024, A.B. 98 introduces new design and building standards for logistics properties in California by establishing minimum distance requirements from sensitive areas such as schools and homes, enforcing renewable energy standards and mandating contributions to an affordable housing fund for projects replacing housing with logistics developments.

Sheppard Mullin Real Estate, Energy, Land Use and Environmental partner Whitney Hodges spoke to *Law360*, noting that A.B. 98 has been met with opposition from a diverse array of stakeholders. The standards set by A.B. 98 supersede local land use regulations and apply specific criteria based on the size and location of warehouses, with a particular focus on the Inland Empire, a key logistics hub east of Los Angeles.

“You are seeing the state legislature take more of an active role in land use, and there's been arguments and actual litigation stating that local jurisdictions have land use control under the California Constitution. The Ninth Circuit recently struck that idea down in a case against Huntington Beach, but I think you're going to hear a lot of local jurisdictions, cities and counties throughout the state continue to complain that the state is overreaching,” Hodges remarked.

Hodges added that A.B. 98 contains many undefined terms, leading to language that is vague and inconsistent in places and allowing for different interpretations. “I think we're going to see a cleanup of the bill and hopefully some more streamlined regulations as to how we address the impacts of industrial use as well as very high demand for these logistics centers and these last-mile centers for a population that has grown depending on two-day delivery,” she said.

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